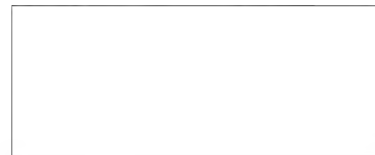




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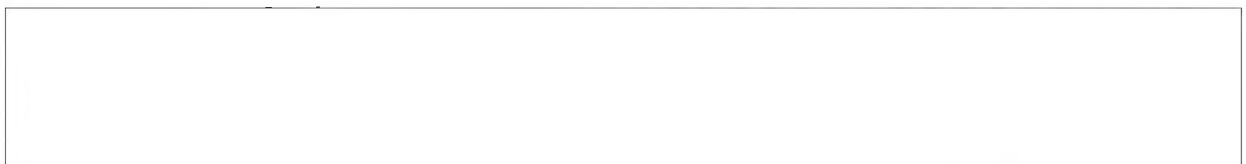


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## USSR: Brezhnev's Speech

*President Brezhnev's speech yesterday to the Komsomol Congress was a major effort to seize the initiative from the US regarding INF and START.* [ ]

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On INF, Brezhnev announced that Moscow is already reducing the number of "medium-range missiles" in the European USSR. He also stated that no "additional" SS-20 missiles will be deployed within range of West Germany and other West European countries, and that he envisages the extended moratorium on deployment of SS-20s as including "an end to the construction of launching positions." Brezhnev ruled out inclusion of Soviet missiles in the Far East in the current INF talks, but said that the Soviets "do not object" to separate negotiations. [ ]

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The Soviet leader described President Reagan's call for the resumption of strategic arms talks as a "step in the right direction" but criticized the specific proposals in the President's recent speech. He stated that new talks should "preserve everything positive that has been achieved earlier." Brezhnev also called for banning or restricting the development of new types of strategic weapons and proposed that the USSR and the US freeze their strategic arms quantitatively as soon as START begins. [ ]

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Comment: //Brezhnev's ambiguous proposal for a freeze on strategic arms probably is intended to forestall new US programs and to encourage US supporters of a "nuclear freeze." His comments on SS-20 deployments are a response to some of the Western objections to his earlier INF initiatives. Brezhnev, however, apparently is offering no more than a halt in new construction starts; [ ]

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Brezhnev's statement on the possibility of Far Eastern INF talks probably is designed to counter the US call for global reductions. The Soviets might consider US "forward-based systems" in the Far East as well as Chinese forces to be subject to such negotiations. [ ]

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EC-USSR: Interest Rates on Export Credit

*//EC finance ministers have at least temporarily blocked a new OECD agreement that would have increased interest on export credits, including those to the USSR.//* [ ]

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*//The ministers decided on Monday that the new credit agreement recently proposed in the OECD be deferred until 15 June to allow time for further consideration. The current arrangement expires at the end of this month, and proposals for a new credit understanding include reclassifying the USSR as a "relatively rich" country and raising interest rates to all but the poorest countries. The EC does not oppose reclassifying the USSR, but France is now concerned that raising interest rates at this time would burden the more advanced developing countries by requiring them to pay even more for goods bought on credit.//* [ ]

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*Comment: //The decision to seek further modifications probably reflects a fear, especially by France, that across-the-board interest hikes could reduce exports to many countries. This would adversely affect employment. The UK also opposes changes that would allow Japan--a main competitor for new markets--to grant export credits at substantially lower rates due to its low domestic interest rates.//* [ ]

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*//The deferral of the new OECD proposals raises additional doubts that export credits to the USSR can be restricted through the consensus arrangement, as France and other West European countries have repeatedly urged. Together with France's near total rejection of Under Secretary of State Buckley's efforts last week, this move casts doubts on France's willingness to take any action on the export credit issue--which affects both North-South and East-West relations--until after the summit at Versailles.//* [ ]

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ROMANIA: Purge of Officials

*President Ceausescu's purge of cultural figures and firings of several regime officials are an effort to muffle internal opposition and seek scapegoats for economic problems.* [ ]

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The Minister of Education, two of her deputies, and a deputy minister of transportation were fired in late April in a purge that may affect hundreds allegedly involved in a group practicing "transcendental meditation." The media have suggested the group is a religious sect established by a foreign intelligence organization. [ ]

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Two high officials in the Ministry of Interior, who may have been held responsible for a breakdown in internal security, also have been fired. In addition, a senior foreign trade official and two deputy ministers of agriculture were dismissed last week on charges of misusing hard currency obtained from a major agricultural project with Syria. [ ]

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Comment: These actions evidently are aimed at intimidating potential opponents and deflecting blame from the regime for its continuing failure to stop the economy's decline. Ceausescu appears to be using the transcendental meditation issue to purge or intimidate those in the intellectual elite who disagree with his efforts to control culture completely and to limit foreign influences. Some intellectuals may oppose Ceausescu's plans to convene an "ideological" conference of the Communist Party to be held next month after several unexplained postponements. [ ]

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## INDIA: Election Tests

//Prime Minister Gandhi faces close races in voting today for four state legislatures, 22 vacant individual seats in other state legislatures, and the national parliament. She and her son Rajiv have campaigned intensively to improve the prospects for the factionalized state party units of Gandhi's Congress Party.

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Comment: //Gandhi will govern unimpeded regardless of the outcome of the vote. Any losses would be a blow to her prestige, however, and gains for her opponents could reduce the margin of victory for Gandhi's candidate in the presidential election scheduled for 13 July.

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